

Rating Action: Enron Capital LLC

**MOODY'S PLACES ALL LONG TERM DEBT OBLIGATIONS OF ENRON
CORP ON REVIEW FOR DOWNGRADE; SENIOR UNSECURED AT Baa1**



Approximately \$ 13 Billion of Debt Securities Affected.

Moody's Investors Service placed all the long term debt obligations of Enron on review for downgrade following the announcement by Enron of significant write-downs and charges, reflecting substantially reduced valuations in several of its businesses. These actions affect Enron's broadband operations, its merchant portfolio and the Azurix water company holdings. The company's Prime-2 rating for commercial paper is confirmed.

Moody's has previously commented on the challenges impacting a number of Enron's businesses but the magnitude of the announced charges will reduce Enron's equity base and increase nominal financial leverage to somewhat over 50.0% while slashing earnings. The company's previously announced sale of Portland General, however, will result in cash proceeds approximating \$1.8 billion which management is earmarking for debt reduction. In addition, the sale will remove approximately \$1 billion of debt obligations from Enron's balance sheet. Moody's notes that, while this transaction will go a long way to help restore Enron's balance sheet, it requires regulatory approval and is likely to take up to a year to complete.

In its review, Moody's will focus on Enron's strategic direction and in particular on the earnings and cash flow outlook for its core gas and power wholesale businesses. We will also review management's progress in dealing with problem areas such as its exposure to the California energy markets and its Dhabol project in India. In addition, Moody's will analyze further restructuring efforts and the potential for further asset write-downs as well as for future asset sales that can generate cash for debt reduction.

Debt securities under review include:

Guaranteed Senior Notes A3

Senior Unsecured Baa1

Senior Secured or Conv./Exch. Sr. Sec. Shelf (P)A3 / (P)Baa1 / (P)Baa3

Senior Subordinated Baa2

Guaranteed Cum. Trust Preferred Baa2

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Guaranteed Trust Preferred Baa2

Senior Subordinated Shelf (P)Baa2

Cum. Guaranteed Preferred Stock Baa3

Cum. Guaranteed Preferred Stock Shelf (P)Baa3

Commercial Paper P-2

Also impacted by the review will be the following issues:

Marlin Water Trust Baa1

Osprey Trust (I & II) Baa2

European Power Limited Company (Margaux) Ba2

Enron Credit Linked Notes Trust (I & II)(Yosemite Baa1

Enron is one of the world's largest energy companies with approximately \$63.4 billion in energy assets. The company produces electricity and transports natural gas, develops, constructs and operates energy facilities, and markets and delivers physical commodities and financial and risk management services. It is headquartered in Houston, Texas.

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